



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

December 1, 1994

CERTIFIED P 074 978 922

Mr. Douglas W. Cleghorn
621 26 Road
Grand Junction, Colorado 81506

Re: Transfer of Small Mining Operations Notice of Intention, Lady Ann Company Blue Cap Mine, S/037/066, (BLM U68-N91-01) San Juan County, Utah

Dear Mr. Cleghorn:

Division files list you as the original representative/permittee for the Blue Cap Mine. A copy of your original notice of intention submitted to the BLM was forwarded to the Division in September 1990. The 1992 Annual Report for this operation was submitted and signed by Mr. Keith Cannon. The report stated Mr. Cannon purchased the Lady Ann Company in 1992. On February 1, 1993, the Division sent Mr. Cannon a Transfer of Notice of Intention form to be completed in order to formally transfer the Small Mining Operation Notice of Intention. The transfer form has never been returned to the Division. On November 9, 1994, the Division sent another transfer form to your attorney, Mr. K. K. Summers.

On November 10, 1994, you delivered a copy of the Lady Ann Company sales agreement to the Division. The sales agreement was signed by you and Mr. Cannon in April of 1992. In your discussions with Tony Gallegos and Joelle Burns of the Minerals staff, you indicated you were concerned about being released from further responsibility for this site. On November 9, 1994, the Division contacted Mr. Cannon by phone. Mr. Cannon indicated that the Lady Ann Company was dissolved and that he has no further mining interest in property. He stated that the mining claims/leases were not renewed when the BLM rental fees were inacted. Mr. Cannon also indicated that the portals had been closed and all that remained on the site was a compressor/generator that he could not remove, because the access roads had been too muddy during his last onsite visit. Mr. Cannon sent us a letter dated November 16, 1994, reiterating most of these statements.

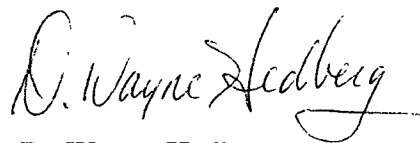
Our attorney has reviewed the sales agreement which you provided to determine its adequacy to meet our regulatory requirements. We have been advised that since our

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Division was not a party to the agreement, that it is not an acceptable or enforceable contract from our standpoint. We must have the appropriate permit transfer form (or a new permit application) completed and returned to our office to formally release you from any further obligations at this mine site.

We will schedule a joint agency onsite inspection of the property in the near future to assess existing conditions and the adequacy of reclamation work performed to date. We will suspend any further administrative action on this matter until after we have completed our inspection.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

cc: Keith A. Cannon, Lady Ann Company
K. K. Summers, Counsel for Mr. Cleghorn - PO Box 398 Grand Set Co 81502
Tom Schriener, Colorado DML
Sal Venticinque, BLM, Grand RA
Tom Mitchell, AAG, DOGM

S037066

cc: Lowell Bampton